CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

September 8, 2023

Honorable Jodey Arrington
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Re: CBO's Long-Term Projections of Gross Federal Debt

Dear Mr. Chairman:

As you requested, the Congressional Budget Office has projected gross federal debt through 2053, assuming that existing laws governing taxes and spending generally remain unchanged. In CBO's projections, gross federal debt amounts to 124 percent of gross domestic product (GDP) at the end of fiscal year 2023 and 129 percent by the end of 2033.[1] By the end of 2053, such debt reaches 192 percent of GDP (see Table 1).

What Is Gross Federal Debt?

Gross federal debt consists of debt held by the public and debt held by government accounts.[2]

Debt Held by the Public. Debt held by the public currently comprises nearly 80 percent of gross debt. It is a measure that indicates the extent to which federal borrowing affects the availability of private funds for other

[1] The budget projections in this letter are based on CBO's May 2023 baseline projections but also reflect the estimated budgetary effects of the Fiscal Responsibility Act of 2023 (Public Law 118-5), enacted on June 3, 2023. See Congressional Budget Office, *How the Fiscal Responsibility Act of 2023 Affects CBO's Projections of Federal Debt* (June 2023), www.cbo.gov/publication/59235; letter to the Honorable Kevin McCarthy providing CBO's estimate of the budgetary effects of H.R. 3746, the Fiscal Responsibility Act of 2023 (May 30, 2023), www.cbo.gov/publication/59225; and *An Update to the Budget Outlook: 2023 to 2033* (May 2023), www.cbo.gov/publication/59096.

[2] Congressional Budget Office, *Federal Debt: A Primer* (March 2020), www.cbo.gov/publication/56165.

Table 1.

CBO's Long-Term Projections of Selected Measures of Federal Debt

Percentage of gross domestic product

	Actual, 2022	2023	2033	2043	2053
Debt held by the public	97	98	115	144	181
Debt held by government accounts	26	26	14	14	12
Gross federal debt	123	124	129	157	192

Data source: Congressional Budget Office.

The budget projections are based on the agency's May 2023 baseline projections but also reflect the estimated budgetary effects of the Fiscal Responsibility Act of 2023 (Public Law 118-5), enacted on June 3, 2023. Projections of selected measures of federal debt for all years between 2023 and 2053 are available as supplemental data on CBO's website at www.cbo.gov/publication/59512#data.

All years are fiscal years; all amounts are at the end of each fiscal year.

borrowers.[3] Marketable securities make up almost all of debt held by the public, and nontradable securities, such as savings bonds, make up the rest. Domestic investors currently own about two-thirds of outstanding debt held by the public.

Debt Held by Government Accounts. The remainder of gross federal debt is held by government accounts. Currently, about 90 percent is in federal trust funds, mostly for Social Security, retirement programs for federal employees and military service members, and Medicare. The rest is held in other funds, including special funds (for example, the Department of Defense's fund for financing military retirees' health care), revolving funds (including the Deposit Insurance Fund), and public enterprise funds (such as for the Postal Service).

Though trust funds are designated by law, there is no substantive difference between them and other funds held by government accounts. All major trust funds and many other government funds invest in the Treasury's Government Account Series (GAS) securities.[4] (The rates of interest earned on most GAS securities are similar to those for publicly issued debt.)

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[3] If federal debt increased in relation to GDP at the pace that CBO projects it would under current law, the implications for the nation's fiscal and economic outlook would be far-reaching. For additional discussion, see Congressional Budget Office, *The 2023 Long-Term Budget Outlook* (June 2023), pp. 8–10, www.cbo.gov/publication/59014.

[4] GAS securities are purchased directly from the Treasury and are nonmarketable; they are not auctioned and cannot be traded on the secondary market.

Transactions between the Treasury and the various types of funds are intragovernmental; they have no net effect on federal borrowing or the total budget. When a fund's cash income exceeds its expenses, the surplus is retained by the Treasury and used to finance the government's other activities. The fund is credited with a corresponding amount of GAS securities. Similarly, interest payments to funds are made from the Treasury by increasing the amount of GAS securities held by the funds. When a fund's expenses exceed its cash income, the administering agency redeems its securities for cash from the Treasury. The cash to redeem those securities and make necessary payments from the fund comes from other federal revenues or borrowing from the public in that year.

The funds are essentially an accounting mechanism. Their balances (in the form of government securities) are assets for the individual programs and liabilities for the rest of the government. Although the balances are measures of the amounts that the government has the legal authority to spend for certain purposes under current law, they have little relevance for the total budget unless the limits of that authority are reached.[5]

How Is Gross Federal Debt Related to the Government's Financial Position?

A change in the amount of gross federal debt can be a counterintuitive indicator of a change in the government's overall financial position. For example, when outlays for Social Security exceed the program's revenues, as they do in CBO's current projections, the Social Security Administration redeems more Treasury securities than it purchases, causing gross debt to be less than it would have been otherwise—even though the government's overall financial position may become more challenging. Conversely, when revenues credited to the program's trust funds exceed benefit payments, gross debt is greater than it would have been otherwise.

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[5] By law, CBO's baseline projections incorporate the assumption that scheduled payments from trust funds will continue to be made in full, even though there would be no legal authority to do so, if the funds were exhausted. For example, if the balance of the Old-Age and Survivors Insurance Trust Fund declined to zero and the fund's revenues were insufficient to cover benefits specified in law, then the Social Security Administration would no longer be permitted to pay full benefits when they were due. See Barry F. Huston, *Social Security: What Would Happen If the Trust Funds Ran Out?* Report RL33514, version 34 (Congressional Research Service, September 28, 2022), tinyurl.com/3v5t6a28.

CBO projects that if current laws governing Social Security's taxes and benefits did not change, the combined Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds would be exhausted in fiscal year 2033. After the trust funds' exhaustion, the Social Security Administration would no longer be able to pay full benefits when they are due (though beneficiaries would remain legally entitled to full benefits). At that point, the Social Security program's annual outlays would be limited to its annual revenues. The program would no longer run annual deficits, and the transactions between its trust funds and the Treasury would no longer affect gross debt, on net.

Moreover, the amount of debt held by trust funds and other government accounts does not accurately reflect programs' future liabilities. Beyond Social Security, some programs with significant anticipated outlays (such as Medicare) hold little government debt in relation to their projected liabilities, whereas others (such as the Civil Service Retirement System) hold considerable amounts of government debt, even though the revenues they collect are projected to exceed outlays for the foreseeable future.

I hope this information is useful to you. Please contact me directly if you have further questions.

Sincerely,

Phillip L. Swagel
Director

cc: Honorable Brendan F. Boyle
Ranking Member